

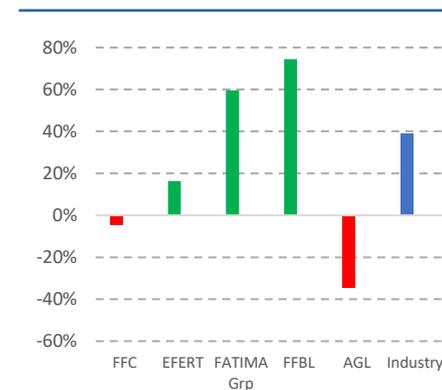
Fertilizer Sector
Offtake Update

Pakistan Research

Fertilizer: December-22 Urea offtake up 39% YoY; DAP sales up 35% YoY

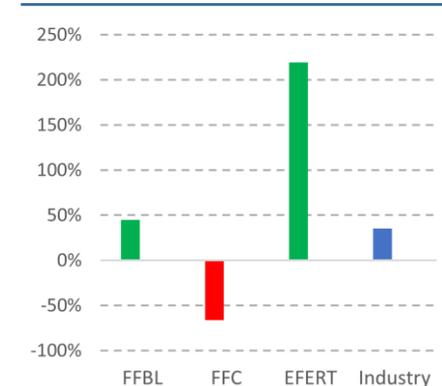
- As per the data released by NFDC, Dec-22 Urea offtake increased by 39% YoY to 833k tons, while DAP offtake rebound to 158k tons up 35% YoY. For CY22, Urea offtake increased by 4% YoY to 6.6mn tons, while DAP offtake declined by 36% YoY to 1.2mn tons.
- Within the urea segment, FFBL's offtake grew by 74% YoY, followed by FATIMA and EFERT with an increase of 60% YoY and 16% YoY, respectively. On the contrary, AGL posted the highest decline of 35% YoY followed by FFC at 4% YoY.
- During the month of December, DAP offtake increased by 35% YoY. Company wise data shows that EFERT's DAP offtake increased by 219% YoY, followed by FFBL at 45% YoY. FFC witnessed a decline of 66% YoY in DAP offtake for the month under review.
- During Dec-22, domestic urea prices averaged at PKR 2,466/bag, up ~32% YoY. DAP prices also remained elevated at PKR 9,571/bag, up ~15% YoY.
- We expect the Urea offtake to clock at ~6.4mn tons during CY23 and expect further hike in prices by the manufacturers to pass on cost impact. DAP offtake is projected to clock in at ~1.8mn tons with ease-of in international prices.

Urea offtake growth YoY (December)



Source: NFDC, Akseer Research

DAP offtake growth YoY (December)



Source: NFDC, Akseer Research

Fertilizer Dec-22 Offtake and Inventory ('000) tons

| Period | Dec-21 | Nov-22 | Dec-22 | MoM | YoY | CY21 | CY22 | YoY | Current Inv. |
|-----------------|------------|------------|------------|-------------|------------|--------------|--------------|-------------|--------------|
| Urea: | | | | | | | | | |
| FFC | 232 | 220 | 223 | 1% | -4% | 2,477 | 2,423 | -2% | 13 |
| EFERT | 189 | 96 | 221 | 131% | 16% | 2,296 | 1,935 | -16% | 15 |
| FATIMA | 98 | 142 | 157 | 10% | 60% | 839 | 1,101 | 31% | 1 |
| FFBL | 31 | 53 | 55 | 4% | 74% | 501 | 523 | 4% | 1 |
| AGL | 47 | 39 | 31 | -20% | -35% | 230 | 351 | 53% | 3 |
| Imported | - | - | 148 | NM | NM | - | 282 | NM | 216 |
| Industry | 599 | 583 | 833 | 43% | 39% | 6,343 | 6,616 | 4% | 249 |
| DAP: | | | | | | | | | |
| FFBL | 77 | 135 | 112 | -17% | 45% | 790 | 661 | -16% | 187 |
| FFC | 5 | 6 | 2 | -75% | -66% | 205 | 70 | -66% | 78 |
| EFERT | 10 | 51 | 31 | -38% | 219% | 297 | 258 | -13% | 36 |
| Others | 25 | 44 | 13 | -72% | -49% | 589 | 215 | -63% | 135 |
| Industry | 117 | 236 | 158 | -33% | 35% | 1,881 | 1,204 | -36% | 436 |
| CAN: | | | | | | | | | |
| FATIMA Group | 77 | 73 | 143 | 96% | 86% | 908 | 868 | -4% | 1 |
| Industry | 77 | 73 | 143 | 96% | 86% | 908 | 868 | -4% | 2 |

Source: NFDC, Akseer Research

Industry urea offtake increased by 39% YoY in Dec-22:

Industry urea offtake increased by 39% YoY to 833k tons in Dec-22. This increase in offtake is due to the delayed Rabi sowing season and pre-buying in anticipation of price hike from 1st January, 2023. The higher offtake pushed CY22 cumulative Urea offtake to 6.6mn tons, up 4% YoY. Urea production during Dec-22, remained 576k tons while imports clocked in at 193k tons. Hence, the country's urea inventory closed the year at 249k tons (71k tons in SPLY).

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DAP offtake increased by 35% YoY to 158k tons in Dec-22:

With the late start of Rabi sowing season due to the flash floods, DAP offtake for Dec-22 increased by 35% YoY to 158k tons. Local DAP prices also started easing off in-line with the international DAP prices coupled with relief announced by government on DAP prices. For CY22, DAP offtake clocked in at 1.2mn tons down 36% YoY, with the Dec-end inventory level at 436k tons.

Sector Outlook:

Urea manufacturers have increased the prices by PKR 190/bag from 1st January 2023, to pass on the inflationary pressures. Keeping in view the potential gas price hike and increasing inflation, we expect urea price to further increase in CY23. Although International DAP prices have started cooling-off, currently hovering around USD 775/ton (-11% YoY), we expect the domestic DAP prices to remain elevated due to the sharp devaluation of PKR against USD.

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